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national farmers union

In Union is Strength

Submission

to the

Standing Senate Committee on Agriculture

on the subject of

Bill S-13 - The Beef Import Act

tawa, Canada **March 15, 1979**

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INTRODUCTION

1. We have been invited to submit our views on Bill S-13 and do so with a number of reservations.

2. Our reservations are not motivated by disagreement over the principle of controlling beef imports. Indeed, Canadian farmers have experienced the market problems that result when imports are unregulated. We are, however, concerned that the proposed Beef Import Act, Bill S-13, will do little to remove the instability of "boom and bust" price cycles that are synonomous with the current market economy controlling domestic beef prices. We do, in fact, view the Bill as being functional to the maintenance of the very market economy of which farmers have been long suffering victims and submit it is designed to perpetuate the concept of a cheap food policy at the farm level.

3. The NFU, as your committee well knows, has a policy which calls for the organization of a National Meat Authority designed to market livestock and livestock products and with authority to manage supplies and regulate imports.

4. We therefore regard the introduction into legislation of piecemeal measures as less than adequate in fulfilling what we believe to be desirable objectives in a livestock policy for Canada.

5. These objectives must include the following criteria:

- Attainment of self-sufficiency (value of exports at least in balance with imports);

- A domestic price relationship established between the farm costs of production and prices received by producers;
- Orderly marketing and fair grading;
- Fair price margins between producer and consumer price levels;
- Retaining the farm family as the basic production unit for beef cattle.

RE: BILL S-13

6. Bill S-13 is the result of earlier studies by this Committee. The Committee in its October, 1977, report recommended "that Canada adopt a long-term beef import policy and that Parliament enact legislation to regulate the importation of beef, veal and live slaughter cattle."

7. The Committee was critical of the "Export and Import Permits Act" belatedly used by the government to restrict the quantity of beef, veal and live slaughter cattle imports. The Act was described as "inadequate because it does not contain provisions concerning either the price or volume of imports which determine whether or when it will be used. This, combined with the lack of a long-term import policy, has meant that restrictions have been imposed only after considerable damage has been done."

8. This absence of appropriate action by the government may have resulted more from a matter of choice than a failure of the Act. The implementation of any Act can, after all, only be as effective as the ruling administration chooses to make it.

9. Your committee recognized the need for an import policy before there was an import act. Such a policy, said the committee, should include the following principles:

". It should be directed at assisting Canadian producers to maintain a viable beef industry producing most of Canada's beef needs;

- A domestic price relationship established between the farm costs of production and prices received by producers;
- Orderly marketing and fair crediting;
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". It should be directed at assisting Canadian producers to maintain a viable beef industry producing most of Canada's beef needs;

- It should operate as an essential element of the policies designed to achieve long-term stability in the Canadian beef industry;
- It must be equitably applied to all countries supplying Canada with beef and provide these suppliers with the assurance of continued access to the Canadian market;
- And, it must provide assurances to Canadian consumers that it will not be used to force prices to unreasonably high levels." (page 65)

10. We are not aware of commitment by the federal government to the above principles. We submit that only the latter two of these principles are embodied within Bill S-13 and farmers are the forgotten people in its provisions.

11. Your Committee in its Report recommended the inclusion of all categories of beef in an import quota. On this issue the Report stated in part:

> "To exclude live slaughter cattle would permit disruptions of our markets by American exports as happened in 1973 and to exclude cooked and preserved beef and veal would open the possibility for circumvention of the quotas." (page 65)

12. Bill S-13 specifically excludes "live cattle weighing between 200 and 700 pounds" and "canned or cured beef".

13. The proposed Bill thereby creates the possibility for "disruptions of our markets" and the "possibility for circumvention of the quotas" against which your Committee earlier warned.

14. While the weekly "Canada Livestock and Meat Trade Report" does not provide a weight breakdown on slaughter cattle imports from the U.S., it does report that Canadian exports of "slaughter cattle 200-700 lbs."

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- And, it must provide assurances to Canadian consumers that it will not be used to force prices to unreasonably high levels." (page 63)

10. We are not aware of commitment by the federal government to the above principles. We submit that only the latter two of these principles are embodied within Bill S-12 and farmers are the forgotten people in its provisions.

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12. Bill S-12 specifically excludes "live cattle weighing between 200 and 700 pounds" and "canned or cured beef".

13. The proposed Bill thereby creates the possibility for "diversions of our markets" and the "possibility for circumvention of the quotas" against which your Committee earlier warned.

14. While the weekly "Canada Livestock and Meat Trade Report" does not provide a weight breakdown on slaughter cattle imports from the U.S., it does report that Canadian exports of "slaughter cattle 200-700 lbs."

numbered 34,045 head in 1978 (to December 30) and exports for this weight class in 1979 up to the week ending February 17 numbered 4725, well ahead of the number exported as feeders (2898) in the same period.

15. Slaughter cattle of this weight class can and will be imported into Canada at will. By exempting this class from quota, the provisions of the Bill become toothless. A major concession is offered to the U.S.

16. Apparently the Committee has reacted to the possibility of U.S. government reprisals against Canadian exports of this weight class should U.S. exports be adversely affected by our Beef Import Act. What becomes evident is the unwillingness of the Committee to take a firm position on a national beef strategy within the context of a Continental trading area.

17. The Committee further recommended:

> "that the legislation regulating the importation of beef, veal and live slaughter cattle provide for the establishment of annual quotas for each supplying country; that the quotas be based on the average of imports from each country during the period 1967 to 1974; and, that the quotas be adjusted annually to take into consideration changes in Canadian population, consumption and beef production."

18. On this issue, we note the Committee's total departure from the classic rules of free enterprise competition which it nonetheless wishes to retain for Canadian producers. There is no hint of the exporting countries needing to compete to sell on our markets, either against each other or other possible supplying countries. They are guaranteed sale of fixed minimum volumes and open-ended prices, irrespective of what our domestic supply situation may be. This is orderly supply management at its best even though it may be denied to Canadian producers.

19. It is noted that a number of variables now exist between government policy and the committee's proposals. For example, in the

entitled, "Recent Developments in Food
the following statement is made in

a Canadian Meat Trade Authority

n Meat Trade Authority were considered
opted for continuing to regulate
and Import Permits Act. Quotas are
in relation to the average level of
tween 1971 and 1975 adjusted for
consumption. Other factors to be
de the level of consumer prices
the USA. Quota levels for 1979 are
under consideration. The current regime is being monitored
and will be reviewed at the end of 1980."

20. We note the variation in the base period (1971 to 1975) used by the government.

21. The concept of a Canadian Meat Trade Authority is at variance with proposals in the Bill, which would vest power over import permits with the Minister of Agriculture and decisions on expanding imports with the federal cabinet.

22. Weight conversion factors used by Agriculture Canada are also at variance with those used by the Committee. In an Agriculture Canada press release dated February 16, 1979, the following is reported:

"Boneless beef and veal trade figures convert to a carcass basis by multiplying by 1.39." (The proposed Bill uses the figure 1.54, a difference of 10.8 per cent).

"Exports of live slaughter cattle over 700 pounds are given the average Canadian cow carcass weight of 542.3 pounds.

The average weight for slaughter calves which are assumed to be week-old calves from eastern Canada is taken as 52 pounds. And slaughter cattle in the 200 to 700 pound range are assigned a carcass weight of 243 pounds.

"Slaughter cattle imports are mainly fed steers entering Ontario from the United States with an average carcass weight of 647.7 pounds. Slaughter calves are given an average carcass weight of 243 pounds." (The bill proposes to use 0.57 for live cattle, equivalent to 570 pounds for a 1000 pound live animal representing a 13.6 per cent discrepancy).

23. This large difference in conversion weights particularly on live cattle imports can seriously distort the proposed quota levels.

24. Beef import quota levels set by the government for 1979 are established at 155 million pounds. Although we have every expectation that these may be increased before year end, we are concerned by the high minimum quota levels established under Bill S-13.

25. These in summary are:

New Zealand	71,329,000	pounds
Australia	55,243,000	"
United States	58,482,000	"
	185,054,000	"

26. While this is a minimum level, the projected total figure the Committee has estimated for 1979 would be 226,321,000 pounds, 46 percent greater than the actual quota now in effect.

27. We have no doubt that so massive an import of foreign beef would send current producer price levels for beef plummetting downward once again.

28. We further remind the Committee that this level of imports, when advocated in its 1977 Report, was based on the premise that all beef

imports would come under quota. The exemptions of slaughter cattle in the 200 to 700 pound class from import regulations as well as canned and cured beef would considerably inflate the actual level of imports in any given year. For this reason we believe the proposed minimum quotas set under Bill S-13 to be unrealistic and potentially damaging to Canadian beef producers.

29. In its proposal to establish a signal price, sections 7 and 8 specify that such a signal price per pound be established for "a category or group of categories of beef in Canada."

30. Section 8 further specifies that:

> "where at any time during the year the average price per pound of a category or group of categories of beef in Canada has, for a continuous period of sixty days, exceeded the signal price per pound established by the Governor in Council for that category or group of categories of beef, the annual quota of each country for that year may be modified by the Governor in Council to allow into Canada such additional quantities and categories of beef not exceeding thirty per cent of that annual quota as the Minister, after consultation with the consumer and beef producer organizations, determines."

31. We submit this section opens the door for possible collusion within the meat oligopoly to create artificial shortages of certain categories of beef or by inflating the prices of certain categories of beef, gain permission for further imports.

32. The proposed price signal mechanism apparently would operate at the wholesale or retail price levels which are sheltered from the open market price competition to which the farmer is exposed. This factor alone assists the opportunity to practise price collusion.

33. We note further that no price signal mechanism to restrict imports is visualized in circumstances where the producer price for beef falls below costs of production. In these circumstances the producer must presumably seek to recoup some of his losses from stabilization programs.

34. Recommendations number 3 and 4 in the Committee's 1977 report called for tariff increases "on imports of beef veal and live slaughter cattle be set at 5 cents per pound" or that "the import legislation include provisions to permit the levying of additional duties when domestic market prices for manufacturing and butcher beef fall below guide prices established in relation to beef stabilization programs." This safeguard too has been totally ignored in the concepts of the proposed legislation. Apparently this approach is not compatible with current government policy directions concerning food strategy even though the Committee in its Report repeated the Economic Council of Canada statement on trade strategy which said:

> "Several difficult problems facing both Canadian and foreign agriculture, militate against a rapid move to free trade for farm products...Thus special rules for agriculture could be negotiated on the principle that adjustment in this particular industry requires a longer-term approach."

35. It has been estimated by Herbert Tyler, president of Caravelle Foods Ltd., Toronto, whose company supplies hamburger beef for McDonald's restaurants in Canada, that 60% of all beef sold in Canada by 1985 would be for hamburger (Financial Post, March 3/79)

36. It is predictable that "hamburger beef" would be one category of beef for which special import permits would be regularly applied. "Shortages", whether real or induced, would frequently result in the signal price for hamburger being exceeded and the special import permits being issued.

THE DECLINE OF SELF-SUFFICIENCY

36. In his 1979 AIC Klinck Lecture paper, Dean C. M. Switzer, Ontario Agricultural College, University of Guelph, raises the following observations and questions:

> "Each year, Canada imports an increasing proportion of its food. Many of these presently imported food products could be produced to a larger extent in Canada. They are not, because it has seemed 'cheaper' to import such commodities as lettuce, tomatoes, carrots, peaches and blueberries rather than produce them ourselves. Nor is our shortfall in domestically produced food limited to fruits and vegetables. We are also net importers of such items as meat, dairy products, eggs and honey.
>
> "The present trend toward decreased self-sufficiency will have three major effects on Canadians in the future. There will be a continuing decline in the number of farmers, and of farms, producing the commodities we are importing. More food processors will go out of business putting more on the unemployment lists. The price of food will rise much further than if we were able to produce much of our own needs.
>
> "Two important questions emerge from the above discussion:
>
> "1. Do Canadians want an agricultural system that will be viable on a long-term basis and, if so, what changes need to be made in our present system to ensure such long term sustainability?
>
> "2. Should Canada be striving toward a greater degree of self-sufficiency in food production than we have at present and, if so, what changes need to be made?"

38. Our organization has consistently emphasized the need for greater self-sufficiency in domestic food production and advanced policies to achieve these objectives.

39. Specifically with respect to the future of our beef industry, we submit Bill S-13 will further encourage the decline of beef production by the farm family and encourage the development of more vertically integrated production units.

40. Inasmuch as our beef imports now basically represent intercorporate transfers of inventory on an international basis, Bill S-13 will do nothing to interfere with the continuation of this factor and further encourage the development of a trading system which enables large

corporations to organize their operations to their best economic advantage.

41. If, in the process, we, as a nation, become less self-sufficient in beef, it is really inconsequential to such corporations and may, in fact, be welcomed and encouraged. It will only be part of an industrial strategy compatible with and functional to their objectives.

42. In the general scheme of things, this kind of under-development in food production is also compatible with Canada's role in trading-off our domestic self-sufficiency in food in the world trading arena.

43. We are deeply discouraged that your Committee is prepared to aid and abet this strategy.

CONCLUSION

1. Bill S-13 as presented by the committee, if implemented by government, will do nothing to re-establish confidence among Canadian beef producers in the beef industry and will, in fact, further encourage its future instability and decline.

2. The concept of guaranteed annual minimum import levels totalling 185,054,000 quota pounds is conceded to the exporting countries without any concept of Canada attaining a higher level of self-sufficiency in beef production nor guarantees of greater export beef markets in the U.S.

3. In light of the exemptions included in Bill S-13, its generosity toward foreign exporters is even more pronounced than the Committee originally intended it to be. The specific exclusion from import controls of slaughter cattle in the 200-700 pound class and canned or cured beef creates massive loopholes for circumvention of the import control law.

4. The base period used by the committee to establish its minimum quotas is in sharp variance to the current base period employed by the

government. We have no reason to assume the government is about to change its currently accepted practice of employing the 1971-75 base period for the establishment of its import quotas. The conversion figures used by the committee also are considerably different from those currently used by the federal government in reporting beef import-export figures. This variation in approach is confusing and difficult to reconcile.

5. The concept of a signal price based on individual categories of beef allows for collusion by the trade to create circumstances for further and possibly unwarranted imports of beef.

6. The absence of signal prices to protect producer prices strongly suggests that Bill S-13 is intended to be more functional to the trade and consumer interests than it is toward the interests of producers.

7. For these several above-stated reasons, we cannot endorse Bill S-13 as being a meaningful and effective approach to regulating the imports of beef into Canada as a means of returning stability and future market confidence to farmers in the production of beef.

All of which is respectfully submitted by

THE NATIONAL FARMERS UNION.

Appendix A

LIVESTOCK POLICY

1. The NFU will continue to **promote the establishment of a National Meat Authority** for the marketing of livestock and livestock products and with authority to manage supplies and regulate imports.
2. Provincial governments should **delegate the necessary marketing power** that is now vested in the provinces to a National Meat Authority which should have powers at its disposal to give farmers a return of full cost of production including a reasonable return for labour.
3. **The NFU should negotiate** with each province the **role of provincial marketing commissions** and delegation of the necessary powers to the national agency in order to implement effective marketing procedures.
4. Because the jurisdiction over intraprovincial trade is vested in the provinces, **where agreement cannot be reached** to delegate the provincial powers to establish a national authority for the marketing of a particular commodity, **provincial marketing commissions will need to be established.** Where two or more provinces can agree, an interprovincial joint authority would be desirable.
5. This step should be considered only as **an interim measure** leading up to formation of a national agency, and transfer of power to it. Provincial commissions may then be phased out, or in some instances retained to perform a regulatory function.
6. Farm products marketing agencies should develop and adopt **new marketing procedures.** The objective should be to negotiate long-term agreements with buyers, domestic and into export, with volumes and price determined on a forward basis with escalator clauses geared to inflationary factors in the economy of the country.
7. **The auction method** of selling livestock for slaughter **should be abandoned,** including the teletype auction method, which can only be described as an electronic gimmick which does not strengthen producer bargaining power.
8. **Price stabilization programs for products sold in export market should be negotiated** between federal and provincial governments and the NFU for all livestock and livestock products, including poultry and eggs, indexed to cover production costs which includes a return to labor and investment.
9. Commercial corporate enterprises, non-Canadians who have not applied for landed immigrant status, hobby farmers and research projects **should not receive farm production grants, subsidies, or be allowed to participate in price stabilization programs.**
10. In supply management situations, **under no circumstances should quotas be marketable or negotiable between producers.** All production quotas should revert to the market agency for reallocation when no longer required by a producer. Priorities should be given to new producers, provided the new producers do not fall into the agribusiness category.
11. **Quotas now held by agribusiness** and other commercial corporate entities should be phased out and **reallocated to bona fide farmers.**
12. **Legislation** should be introduced to **exclude chain stores, packing plants, feed companies** and other agribusiness firms from commercial livestock production and feeding enterprises (producers engaged in farm production for "hobby", research or tax advantage to be classed as agribusiness).
13. **Super farms,** and the encouragement of their development and promotion as a matter of deliberate policy, **should be studied** to determine the effects of such farms in relation to family farm production and rural communities.
14. **Grading systems should be improved** to more truly reflect the value of animals. Imported meats should carry labels specifically identifying country of origin, contents and additives.
15 If natural color does not affect quality and palatability of meat, **the grading system be reviewed** to not discriminate against natural color, and such products be labelled to assure the consumer that the quality is equal to lighter colored meat.
16. Retail meat sold to consumers should be specifically **identified as to grade and quality,** and standard meat cutting procedures be implemented. Processed meats should carry labels identifying contents and additives.
17. **Strict regulations** should be enforced to **control the use of chemicals and feed additives** in livestock feeding. Prior to licensing the sale and use of any drug or chemical for feeding purposes, the Health Protection Branch must ascertain, by adequate research, that the said drug or chemical will not be harmful to the health of consumers and animals. Any drug or chemical company offering for sale a product that proves harmful to health should be subject to severe penalties. Imports of slaughter animals or meat from countries allowing the use of drugs and chemical banned in Canada should be prohibited. Drugs should be clearly labelled as to length of withdrawal time.
18. All commercial feed concentrates, feed additives and drugs for veterinary use should come under **strict regulation as to quality** and price and be clearly labelled to indicate analysis of digestible nutrients and amino acids.
19. The federal government should investigate the Contagious Diseases Act and its application, including:
   a) Inconsistency of local offices;
   b) Adequate compensation for loss for all breeds and types relative to the market;
   c) Adequacy of system of sanitation for all people and equipment entering livestock premises.
20. Further, **in respect to the preceding paragraph:**
   a) Copies of all lab reports on tested cattle should go to the herd owner;
   b) Herds should be tested in an orderly manner by townships;
   c) A more accurate and specific test for brucellosis be developed as soon as possible;
   d) When a large percentage of a farmer's herd reacts positive to testing, compensation should be provided for the slaughter of the entire herd.
21. **Artificial insemination centres** should be brought **under strict public control and regulation.** Unlicensed technicians to be restricted to servicing their own herds.
22. Consumer inspection for cattle should be conducted in all provinces as part of a national policy.
23. **Consumer education programs** should be conducted to give publicity to the wide spread in prices from the farm level to the retail meat counter, and exploitive practices inherent in the corporate food chain.
24. There should be **control over mark-ups** by firms handling, processing and retailing meat products.
25. **Freight rates** on western Canadian produced dressed meat should be subsidized to bring the rate in line with Crowsnest rates on grains.
26. **Freight rebates** paid by packers to wholesalers in Montreal **should be made illegal.**
27. We demand the **elimination of check-offs,** "compulsory or voluntary", for research and promotion, on the sale of livestock and livestock products.
28. **Insurance companies,** issuing livestock floater and/or named peril policies should be compelled to make **extensive changes in the wording of such policies** in such a way that only one interpretation is evident in regard to losses from such perils, and that these policies state exactly in layman's language what coverage each policy includes and under what conditions losses are deemed payable.
29. The NFU use whatever pressure it can to keep the report of the Senate Beef Enquiry alive for continuing discussion with government.
30. The NFU should negotiate with the federal government to **stabilize the wool price** at cost of production calculated annually at the farm gate for the first 2000 lbs. of wool produced by a Canadian sheep producer.